

***LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND***  
**MINUTES OF MEETING HELD**  
**June 18, 2009**

The meeting was called to order at 9:15 A.M. in the Conference Room at Station 1, Lake Worth, Florida. Those persons present were:

**TRUSTEES**

Mark Lamb  
Rich Seamon (9:45 A.M.)  
Pat Highland  
Jimmy Shook

**OTHERS**

Margie Adcock, Administrator  
Adam Levinson, Attorney  
Steve Palmquist & Duane Howison, Actuary

**RE-ELECTION OF MARK LAMB**

It was noted that Mark Lamb was re-elected to the Board for another term.

**ADDITIONS AND DELETIONS**

There were no additions or deletions.

**ACTUARY REPORT**

Steve Palmquist and Duane Howison appeared before the Board to present the Actuarial Valuation as of October 1, 2008. Mr. Palmquist reviewed the Participant data. He noted that there have been no new hires and no employment terminations since last year. There were seven retirements; five DROP's; and one disability. He stated that there was a tremendous change in the makeup of the group, which tremendously affected the cost of the Plan for the year. Mr. Palmquist discussed the required contribution. He noted that the total required contribution is \$2,186,828 for the fiscal year ending September 30, 2010 or 63.84% of payroll. He noted that last year the contribution was \$2,113,667 or 53.14%. He stated that in terms of dollars the cost of the Plan did not change very much from last year. Mr. Palmquist discussed the Division II contribution for the .75% multiplier increase. He stated that because the makeup of the group is changing drastically due to the merger, they should re-determine how much should be paid for the extra .75% multiplier. It was noted that there was a net actuarial loss of \$2,297,711. Over half of the loss was due to the recognized investment return of 3.9%, which was below the assumed rate of 8.5%. In addition, more disability retirements than expected and fewer withdrawals than expected contributed to the loss. Mr. Palmquist reviewed the actuarial value of benefits and assets. For the first time the inactive member liability exceeded the active members: \$24,092,001 versus \$22,353,782. He reviewed the unfunded actuarial accrued liability. He reviewed the amortization period and payments. He noted that the amortization period used is currently 30 years and there are 25 to 30 years left on some of the original amounts.

Rich Seamon entered the meeting.

There was discussion on the 13<sup>th</sup> check. It was noted that it has been a very long time since the Fund has been able to pay a 13<sup>th</sup> check. It has not been paid since 2001. It was noted that the cumulative actuarial loss right now is \$8,400,465. He advised that since there is a cumulative actuarial loss there is no 13<sup>th</sup> check that can be payable this year. Mr. Palmquist reviewed the calculation of the actuarial value of assets with five year smoothing. He noted that a negative \$1,304,787 would be recognized for the next four years. He reviewed the history of the investment rate of return from 1972 to September 30, 2008. He noted that the Fund would have two very high back-to-back negative years with September 30, 2008 being a negative 15.3%. The last two consecutive negative years was in 2001 and 2002. The funded ratio is 62.3%.

Mr. Palmquist provided a letter dated June 17, 2009 regarding the takeover of the fire services by the County. He stated that he assumed all non-vested participants would go to FRS and the vested participants would stay in the Plan. As such, it would go from 43 to 20 active participants in the Plan and from \$3.4 million in covered payroll to \$1.9 million. He discussed the revenue from Division II for the additional .75% multiplier. He recommended that the required payment from Division II be re-determined to a set fixed level dollar annual payment over the next 15 years rather than using a level percentage of pay. It was noted that an amortization of 15 years is approximately \$300,000.

Mr. Palmquist discussed recommended changes in the funding method and actuarial assumption. He recommended changing the funding method to the Aggregate Funding Method or at least reduce the number of years remaining on the unfunded actuarial liability amortization period to 15 years. He also recommended reducing the investment return assumption from 8.50% to 7.75% and changing the mortality table to the RP-2000 Generational Mortality Table. He stated that with respect to the interest rate assumption, he believed that the Board should not have it higher than 7.75%, but that the Board might want to consider going lower than that. Over time with a larger percentage of retirees, the Fund will not be able to sustain such a high equity position and the Fund will need to have more in bonds and will not be able to keep such a high investment return. For a closed plan, the assumed rate should get to 7% eventually and lower than that over time. Mr. Palmquist reviewed the projected contribution requirements after making the changes in the methods and assumptions. The total required contribution to the Plan would be \$2,496,488 for 2010 with Division II having a fixed amount being \$297,916, a County contribution of \$493,653; and a City contribution of \$1,704,915. It was noted that the FRS rates will be going up starting July 1, 2010, but it is currently 20.92%. Mr. Palmquist stated that he would contact the Investment Monitor and determine in consultation with him the best actuarial assumed rate of return to use. He would also use a fixed amount for the Division II contribution of a minimum of the \$343,882 that is set forth in the Ordinance. A motion was made, seconded and carried 4-0 to approve the Actuarial Valuation as of September 30, 2008.

### **ATTORNEY REPORT**

Adam Levinson appeared before the Board. He provided the Board with a memorandum dated June 2, 2009 related to Senate Bill 538 that was recently signed by the Governor, which Bill is effective July 1, 2009.

Mr. Levinson provided a draft sample ballot for the merger. He stated that ultimately the County will do the election, but he wanted to provide the County with the Board's view of what the ballot should look like. He reviewed the sample ballot with the Board. There was a lengthy discussion.

**OTHER BUSINESS**

It was noted that member workshops were scheduled for Tuesday, August 4 and Wednesday, August 5 from 8 A.M. to noon to discuss the merger.

There being no further business, the Trustees adjourned the meeting.

Respectfully submitted,

Mark Lamb, Secretary